

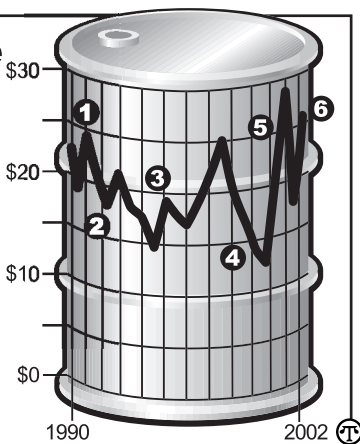
Consumer Corner

Crude Oil, Other Factors Affect Gasoline Prices

Major events drive oil price changes

A look at how several global events have affected the price of oil per barrel over the last 12 years.

- 1 The Gulf War
- 2 U.S. recession
- 3 Reformulated gasoline introduced
- 4 Asia financial crisis
- 5 OPEC production cuts and new fuel specs implemented
- 6 Escalation of Mid-East tensions



Source: Cambridge Energy Research Associates

Juan Thomassie

There are any number of global events that can affect how much you pay to heat your home and fill up your car's gasoline tank.

(NAPSA)—Gasoline prices are headed in their usual direction again—up *and* down.

While consumer goods are constantly bouncing up and down...and for the most part, up, rarely do prices for everyday products rise and fall as drastically as they do for gasoline. How can the price drop 10 percent one month and rise 20 percent the next?

The truth is that a wide variety of factors impact the price of gasoline—including international crises, changing environmental regulations, supply and demand, local taxes and competition. All of these factors can move costs upward or downward, ultimately affecting the price of gasoline for motorists.

Even when crude oil prices are stable, gasoline prices rise or fall due to consumer demand. In the United States, more people take to the nation's roads during the warm weather months. Therefore, demand for gasoline is about five percent higher during the summer, causing prices to rise about 3.5 cents per gallon on average, even after correcting for changes in crude oil prices.

Gasoline may also be less expensive one summer versus

another depending on how plentiful supplies are in a given year.

As anyone who's ever taken a cross-country car trip knows, gasoline prices can vary drastically from state to state. This is sometimes due to differences in state and local taxes, which can account for more than 20 percent of gasoline prices (part of the 34 percent average tax rate nationwide). Aside from taxes, a region's proximity to gasoline supplies also affects cost. Areas farthest from the Gulf Coast—the source of almost half the gasoline produced in the United States—tend to have higher gasoline prices. In some regions, prices are also impacted by environmental regulations that require specially formulated gasolines, which can raise prices another 10 cents or more per gallon.

And finally, good old-fashioned local retail competition can affect the price of gasoline in a specific market.

Although all of these factors affect gasoline prices, perhaps nothing impacts them more than supply and demand.

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